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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 05/24/07

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Ruling bloc to produce legislation requiring Social Insurance Agency to examine 50 million cases with no records

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Nihon Keizai:

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, May 23

NIHON KEIZAI (Page 2) (Full)  
May 24, 2007

08:12:

Met with Deputy Chief Cabinet Secretary Shimomura at Kantei.

09:00:

Attended a Lower House Budget Committee session.

13:01:

Arrived at Kantei.

14:12:

Attended a regular general meeting of Nippon Keidanren at Keidanren Hall at Ote-machi, Tokyo.

14:52:

Met with Fukuoka Gov. Aso, chair of the National Association of Governors at Kantei.

15:13:

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Met with US Cherry Blossom Queen Jennifer Elkins and Japan Cherry Blossom Queen Michiru Hirabayashi

15:25:

Met with Japan Medical Association President Yoshihito Karasawa with House of Councillors member Hidetoshi Nishijima present. Afterwards, visited an exhibition and sale of Okinawa kariyushi wear.

16:08:

Met with Philippines President Arroyo at Kantei. Afterwards, met with MOF Vice Finance Minister Fujii, MOF Budget Bureau Director-General Tsuda and MOF Tax Bureau Director-General Ishii.

17:14:

Attended a meeting on overseas economic cooperation.

18:14:

Met with Ryo Ishikawa, the youngest-ever winner on the men's professional golf tour.

18:42:

Attended a reception of the summit of farm, forestry, and fishing villages.

19:15:

Attended a welcoming dinner party hosted by Philippine Ambassador to Japan Siazon at Imperial Hotel.

19:36:

Met with leaders of 13 local newspaper companies, including Chairman Bungo Shirai of the Chunichi Shimbun, at the Japan Press Center Building at Uchisaiwai-cho, joined by Special Advisor Seko.

21:00:

Arrived at Kantei residence.

4) USFJ realignment bill passes Diet: Uses carrot-stick approach to Futenma relocation; Subsidies to local government would be paid out piecemeal

NIHON KEIZAI (Page 2) (Excerpts)  
May 24, 2007

What should be done to best promote the relocation of the US forces' Futenma Air Station in Okinawa, which is facing much local opposition, and the moving of Okinawa-based US Marines to Guam? To answer that question, the government drafted a special measures bill for USFJ realignment, which passed the Diet yesterday. Although it includes new subsidies to local governments that are cooperative toward the realignment plan, the noticeable feature of the law is the piecemeal payment approach to those communities that do not cooperate. To bring about the relocation of Futenma that has been stalled for over 10 years, the Defense Ministry has adopted an unbending position.

Under the newly established realignment subsidy plan, the scheme for paying out subsidies proceeds in stages: 1) announcement of acceptance of government's plan; 2) start of environmental survey; 3) start of construction of facility; and 4) completion of facility. Put another way, even if there is verbal acceptance of the plan, as long as work does not actually start, the subsidies for the next

stage will not be paid out.

5) Japan's share of cost of Guam relocation of Okinawa Marines remains unclear

NIHON KEIZAI (Page 2) (Full)  
May 24, 2007

One major element in the Special Measures Law on the Realignment of  
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US Forces in Japan is the relocation of approximately 8,000 US Marines from Okinawa to the island of Guam. In order to cover the cost of the move, Japan is prepared to offer the US side through the Japan Bank of International Cooperation (JBIC) a financing and investment package. However, there are many areas that remain unclear about the total cost of realignment and Japan's share of it.

Although a computer simulation came out with a total of \$26 billion (approximately 3 trillion yen) as the cost of realignment, Defense Minister Fumio Kyuma dodged the issue, saying, "The US side used the word 'about' when it discussed the figure, so nothing has yet been decided." According to the agreement, the total expense for the Guam relocation would be \$10.27 billion, and Japan would provide \$6.19 billion of this. The plan also is to spend \$2.55 billion to build 3,500 dwellings for the Marines that would be financed by JBIC. The calculation is that it would cost 80 million yen per housing unit, but Prime Minister Shinzo Abe in a reply to a question would go no farther than to say, "We will now boil it down."

6) Gov't getting tough for US military realignment

ASAHI (Page 4) (Abridged)  
May 24, 2007

The government will now urge local governments to take on the burden of hosting US military forces with subsidies that are tantamount to carrots and sticks. A bill for special measures to facilitate the planned realignment of US forces in Japan was endorsed by the House of Councillors in its plenary sitting yesterday, and the government will gear up for realignment plans. Many local governments have already shown their intention to accept the burden of hosting US forces. However, there are also some local governments strongly repulsed by such an approach of the government. Local governments will be pressed to make a difficult choice given their dire fiscal straits.

"The government is going to fulfill its obligations for those determined (to accept the burden) for the nation's security. This is a plan to subsidize them." With this, Prime Minister Abe stressed the significance of such realignment subsidization before the House of Councillors Foreign Affairs and Defense Committee in its meeting on May 22.

According to the Defense Facilities Administration Agency, 69 local governments will be burdened with more military functions in the planned realignment of US forces in Japan. Among them, 48 have shown their understanding to a certain extent on their acceptance of the burden.

The government plans to subsidize base-hosting local governments cooperating on the realignment in four stages: 1) accepting a realignment plan; 2) starting an environmental impact assessment; 3) starting construction work; and 4) completing construction work. In other words, this is an incentive system to pay money according to the degree of their cooperation.

What lies behind the government's introduction of such a new system is the fact that the government could not obtain local cooperation although it invested a total of 70 billion yen in Okinawa Prefecture's northern district where the US Marine Corps' Futenma Air Station was to be relocated in accordance with an agreement

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reached in 1996 at the Japan-US Special Action Committee on Facilities and Areas in Okinawa (SACO).

Such a get-tough stance of the government is bewildering and dissatisfying local governments. The mayor of Iwakuni City in Yamaguchi Prefecture has rejected a proposal to redeploy carrier-borne fighter jets to a US military base in the city. The government, in its budget for the current fiscal year, discontinued a 3.5-billion-yen subsidy for the city government's plan to construct a new office building. The city's conservative assembly members petitioned Defense Minister Kyuma to revise the subsidy. However, Kyuma flatly rejected their petition.

The government plans to relocate Futenma airfield to Cape Henoko in Okinawa Prefecture's northern coastal city of Nago. The Defense Ministry sent a Maritime Self-Defense Force vessel to waters near the cape to look into the current state of the environment. In its aftermath, the government is now facing a strong backlash from local communities.

The now-enacted special measures law also features funding from the Japan Bank for International Cooperation (JBIC) to foot the bill-estimated at approximately 6 billion dollars-for transferring US Marine Corps troops from Okinawa to Guam.

In the Diet, opposition parties called for the government time and again to come up with the grounds for the cost of relocating Marines to Guam and also for the total cost of US military realignment plans estimated at approximately 3 trillion yen. However, the government did not present the grounds, explaining that it has yet to finalize estimates.

One official of the government says Japan's share in the cost of transferring US Marines Corps troops from Okinawa to Guam is a kind of severance money because the government will need the omoiyari yosan (literally "sympathy budget" or host nation support) if the US military continues to station troops in Japan.

The question, however, is why Japan will have to pay the cost of housing construction for US forces in a foreign country. The government has yet to answer this question. Moreover, it is a project to be funded with a huge amount of money. Accordingly, the government should fulfill its accountability, as a matter of course.

7) 2007 Defense White Paper stipulates enhanced international peacekeeping activities

NIHON KEIZAI (Page 2) (Full)  
May 24, 2007

The Defense Agency will release the 2007 Defense White Paper - its first since becoming a ministry - in June. The white paper includes a new chapter on the Self-Defense Forces' primary duties, including international peacekeeping activities, while referring to enhanced systems for planning and emergency situations. The paper also expresses concern over the ballistic missile launches and the nuclear test by North Korea, highlighting the need to accelerate the plan to install a missile defense system.

The paper also mentions China's military buildup in referring to the military balance with Taiwan, while underlining the importance of

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realigning US forces in Japan. It also clearly notes a shift in emphasis from deterrence to improved capabilities to respond to terrorist and guerilla attacks.

8) LDP panel: Task SDF with security guard at overseas diplomatic posts

YOMIURI (Page 2) (Abridged)  
May 24, 2007

The ruling Liberal Democratic Party yesterday revealed the draft of

a final report worked out by its special committee on strengthening diplomatic capabilities. In its report, the committee, chaired by former Prime Minister Yoshiro Mori, calls for strengthening the security of Japanese diplomatic establishments abroad to meet the threats of terrorists, suggesting the need to deploy bulletproof vehicles and increase the number of security guards. The final report also calls on the government to consider legislating special measures for the security of Japanese diplomatic posts in particularly dangerous regions, including Iraq and Afghanistan. In this regard, the report recommends the government to come up with a plan, including the advisability of tasking the Self-Defense Forces with the security of Japanese diplomatic posts, including bodyguards. This would expand the scope of SDF responsibilities overseas.

9) Heiligendamm Summit: Japan, US to propose including promotion of nuclear power generation in chairman's statement as part of efforts to combat climate change

NIHON KEIZAI (Page 5) (Full)  
May 24, 2007

The governments of Japan and the United States plan to suggest that the G-8 summit in Heiligendamm in June mention the importance of nuclear power generation in its chairman's statement. Nuclear power, which is almost free from carbon dioxide (CO2) emissions, is an effective measure against climate change, which is to be high on agenda in the upcoming G-8 summit. This proposal is also intended to contain soaring oil prices across the world because of growing demand in China and other newly emerging economies.

Japan and the US have sought to include such passages as "Using nuclear energy is of help in combating climate change and in terms of energy security" in the statement. They also are expected to set the nonproliferation and safety as conditions for promotion of nuclear energy.

Nuclear power generation is drawing attention as a means to prevent global warming, but Germany, the host of the summit, takes issue with the risk of nuclear accidents, such as radiation leaks, and is cautious about mentioning nuclear energy in the chairman's statement.

10) New Komeito decides to allow exercising the defense right in dealing with four scenarios, now under study by blue-ribbon panel

SANKEI (Page 2) (Excerpts)  
May 24, 2007

The New Komeito decided yesterday to allow the country to exercise the right to collective self-defense in four scenarios now under

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study, providing the government interprets them as falling within the scope of the right to individual self-defense. The party upholds the traditional constitutional interpretation that the country is not allowed to exercise the collective defense right. But the party's stance might end up expanding the gap with Prime Minister Shinzo Abe, who wants to strengthen the Japan-US alliance, and placing strains on the framework of the ruling coalition. This realization seems to have forced the party to make a compromise with the government.

A blue-ribbon panel on the legal foundation for national security, chaired by former Ambassador to the United States Shunji Yanai, is currently studying the following four scenarios in compliance with Abe's request: (1) whether Japan can intercept a ballistic missile targeting the United States, (2) whether a Maritime Self-Defense Force vessel can counterattack when a US warship sailing alongside is attacked on the high seas, (3) whether SDF troops can return fire if other countries' soldiers come under attack while taking part in the same UN peacekeeping operations, and (4) Japan is currently allowed to extend logistical support only to countries carrying out PKO in non-combat areas free from the use of force. Should this condition be maintained as is? The panel envisages allowing the country to exercise the right to collective self-defense.

New Komeito Representative Akihiro Ota warned the panel that it must not allow the country to exercise the collective defense right in a piecemeal manner. Secretary General Kazuo Kitagawa also said in a strong tone: "There is no need to make changes to the government's interpretation of the collective defense right." The opposition bloc is also making moves to discourage the panel's discussion in tandem with the New Komeito. The government is growing distrustful of the New Komeito, with an Abe aide saying: "With the Upper House election coming up, the New Komeito has nothing else on its mind."

Given the situation, the New Komeito has shifted its policy course and decided to allow the SDF to return fire in the four scenarios in the name of exercising the individual defense right instead of the collective defense right.

11) Abe tells Philippine President Arroyo about resumption of grant aid to her country

NIHON KEIZAI (Page 2) (Full)  
May 24, 1007

Prime Minister Shinzo Abe yesterday met with visiting Philippine President Arroyo at the Prime Minister's Official Residence (Kantei) and conveyed to her a plan to resume grand aid to her country after a lapse of four years. Japan has suspended grant aid to the Philippines since 2003 because of the delay in tax refunds in that country for goods procured from Japan with money provided by Japan. The Abe administration will obtain cabinet approval of grant aid to the Philippines consisting of 600 million yen in antiterrorism measures and 780 million yen in disaster-prevention measures by the end of the month.

Arroyo revealed that North Korea was expected to take part in the ASEAN Regional Forum (ARF) session set for August. Considering that the members of the six-party talks discussing the nuclear issue will be present, Arroyo said, "I hope to see a ministerial-level meeting take place on that occasion."

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Abe emphasized the need for North Korea to fully implement the first-stage action as agreed on in the February six-party talks, such as shutting down and sealing the nuclear facilities.

Abe invited Arroyo to make a formal visit to Japan, and Arroyo accepted this invitation.

12) Japan, Russia to cooperate on nuclear power, IT

SANKEI (Page 1) (Excerpts)  
May 24, 2007

The government decided yesterday to strengthen cooperation in Russia's planned projects to construct a nuclear power plant and IT-related facilities in the Russian Far East and East Siberia. Prime Minister Shinzo Abe will announce this policy during a bilateral meeting with President Putin to be held on the sidelines of the June G-8 summit in Heiligendamm. An increasing number of Russians have been flowing out of the said region, and China has begun to exert greater influence there. By boosting cooperation, Japan aims to hold in check China's moves to develop resources and to cooperate with Russia in building infrastructure.

The Japanese and Russian foreign ministers agreed in their meeting in Moscow on May 3 that the two countries would prepare cooperative projects to develop natural resources in the Russian Far East and East Siberia. The Japanese government wants to urge Russia to conclude a nuclear power cooperation agreement, eyeing technical cooperation in Russia's plan to construct a nuclear power plant.

In the IT sector, Japan and Russia will confirm a plan to lay a marine cable connecting Hokkaido and Sakhalin later this year, as well as to promote technical cooperation on the purification of liquefied natural gas. The two countries will also specify technical cooperation on high-speed railways and in other energy-related

areas.

The presence of China, which is growing in the Russian Far East and East Siberia, has prompted Japan and Russia to come closer to each other. Russians are continuing to leave the region. Meanwhile, Chinese merchants have entered and formed Chinese enclaves. In addition, in a project to construct pipelines in the East Siberia, over which Japan and China were struggling, the construction of the route to China is likely to start first.

13) Roll call for House comfort women resolution put off

SANKEI (Page 1) (Full)  
May 24, 2007

Takashi Arimoto, Washington

The US House of Representatives decided on May 22 to put off taking a vote on a comfort women resolution introduced in the House Committee on Foreign Affairs until June because the committee will go into recess due to the Memorial Day holiday later this month. The sponsors of the bill, including Representative Mike Honda (D-CA), had been gearing up to put the bill to the vote by the end of May, but Chairman Lantos and others "decided to delay taking a vote, "giving consideration to relations with Japan" as Prime Minister Shinzo Abe visited the United States in late April, a congressional source explained.

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At a committee meeting yesterday, various kinds of bills were processed ahead of the committee going into recess, but they did not include the comfort women bill. The bills adopted included the one expressing gratitude to South Korea's efforts in the war on terror and the one calling on China, which backs Sudan in the Darfur dispute, to exercise an influence on Sudan to prevent genocide.

Given that the sponsors of the comfort women bill have now topped 100 lawmakers, the criterion figure for vote-taking, there is still a chance that the bill will be put to the vote in June.

During his visit to the US, Abe met with House Speaker Pelosi and Chairman Lantos and said: "I sympathize with former comfort women from my heart and I apologize to them for their having been placed in a such a situation."

Senator Inouye of the Democratic Party is working on the congressmen, for instance, by sending letters seeking a delay in taking a vote on the bill, noting: "(The resolution) is unnecessary and it will have an adverse effect on relations with Japan."

14) Intensive deliberations on issue of "politics and money" at Lower House Budget Committee; Ruling, opposition parties lash out at each other

TOKYO SHIMBUN (Page 2) (Excerpts)  
May 24, 2007

Yesterday in a House of Representatives Budget Committee, the ruling Liberal Democratic Party (LDP) and the leading opposition party Minshuto (Democratic Party of Japan) severely criticized each other's bills to reform the Political Funds Control Law. With the House of Councillors election drawing closer, the two parties tried to play up their efforts to deal with the issues involving politics and money to voters.

Agriculture, Forestry and Fisheries Minister Toshikatsu Matsuoka again refused to disclose the details of his political fund management organization's huge utility expenses, although Satoshi Takayama of Minshuto asked him to unveil them. However, Katsuya Okada, vice president of the largest opposition party, who took the floor following Takayama, did not grill Matsuoka on the issue, turning his attack on the ruling-coalition-proposed bill revising the Political Funds Control Law.

Since the discovery of Matsuoka's enormous utility expenses,



Minshuto has yet to pursue the ruling camp since it has not secured new means of attacking the ruling coalition.

In an attempt to make a breakthrough the situation, as Okada thinks that the opposition, too, is being criticized by the public, he took a strategy of spotlighting the Abe government's negative stance toward the issue of "politics and money."

Okada pointed out that the ruling coalition's bill requires only political fund management organizations to attach to fund reports receipts for expenditures of 50,000 yen or more for office expenses (excluding labor costs). He bitterly criticized the ruling coalition-proposed bill, saying, "It's a law of loopholes," noting that if a politician has both a funding management body and a political organization, he may file expenditures in reports by the

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political organization, which has no such obligation.

15) SDP head demands Agriculture Minister Matsuoka be summoned as witness

TOKYO SHIMBUN (Page 2) (Full)  
May 24, 2007

In a press conference yesterday, Social Democratic Party Chairperson Mizuho Fukushima called for testimony before the Diet by Agriculture, Forestry and Fisheries Minister Toshikatsu Matsuoka, who has been under fire for reporting enormous utility expenses at his rent-free government office. Fukushima criticized Matsuoka's reply made at a session of the House of Representatives Budget Committee, saying, "He was utterly insincere. It is inexplicable that he made the reply without checking it on his own."

16) Japan, US likely to hold talks on review of US beef import conditions next month

NIHON KEIZAI (Page 5) (Full)  
May 24, 2007

Ministry of Agriculture, Forestry and Fisheries (MAFF) Minister Toshikatsu Matsuoka told reporters in Tokyo yesterday that if the United States officially asks Japan for talks on a review of Japan's import conditions for US beef, Japan will accept the request. This development follows the World Organization for Animal Health's (OIE) decision to classify the US as a country allowed to export beef irrespective of cattle age. The two countries are expected to start talks in June, at the earliest, should no problem be found in the ongoing inspections by officials from the MAFF and the Ministry of Health, Labor and Welfare of meatpacking plants in the US.

The agriculture minister indicated a willingness to hold talks with the US for the first time. Matsuoka said: "The OIE authorization does not directly lead to an immediate relaxation of Japan's import conditions," but added: "(If the US requests hold talks a review of the conditions), the matter will be discussed at the Food Safety Commission (FSC). A certain period of time will be needed for necessary procedures."

Once the ongoing inspections in the US are over, Japan will ascertain with the US in June whether the plants have observed Japan's import requirements, such as the removal of specified risk materials. Should no problem be reported, Japan and the US will launch negotiations on a review of the import requirements.

Japan limits US beef imports to those from cattle 20 months of age or younger. But the age limit of cattle is set at 30 months under an international standard, so both sides are expected to discuss raising the age limit. The Food Safety Commission will discuss whether new import requirements are appropriate in light of securing safety. Based on its judgment, a final decision will be made.

17) US set to apply greater pressure on Japan, with seal of international approval of safety of US beef

TOKYO SHIMBUN (Page 9) (Excerpts)

May 24, 2007

Shinichi Hisadome, Washington

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The safety of US beef has now been internationally recognized. The United States Congress and the livestock industry anticipate that the international endorsement will contribute to an expansion of US beef exports. The Department of Agriculture has indicated that it would urge its trade partners to ease their import conditions, including an age-limit regulation. It is now certain that the US will ratchet up pressure on Japan.

In its ongoing general meeting in Paris, the World Organization for Animal Health (OIE) decided to classify the US as a "controlled-risk country" and allow it to export beef irrespective of cattle age, following five countries classified as "negligible-risk countries" including Australia. Although the condition of limiting imports of specified risk materials to those from cattle 30 months of age or younger will be added, the seal of international approval has been given to US beef.

US Agriculture Secretary Johanns issued a statement welcoming the OIE decision. In it, he indicated a tougher stance toward trade partners, saying: "We will take every possible means to urge them to adopt a set of international standards." He apparently is taking aim at Japan. Japan currently limits imports of US beef to those from cattle 20 months of age or younger. The US is expected to apply greater pressure on Japan to remove the age limit.

Japan abolished the quantity restriction it had imposed on US beef imports in the spring of 1991. The value of Japan's annual imports of US beef had reached 1.3 billion dollars by December 2003, when Japan banned US beef imports in reaction to the discovery of the first case of BSE in the US. Japan was the largest foreign market for the US livestock industry.

According to a report released by the US Trade Representative (USTR) this March, however, US beef exports to Japan between last July and December were worth only 50 million dollars, less than one-tenth of that recorded at their peak.

Given growing dissatisfaction in the US livestock industry, the US Congress has indicated a tough stance toward Japan. Hearing the OIE decision, the chairman of the US Senate Finance Committee, Senator Max Baucus, expressed his willingness to back up the Agriculture Department in its negotiations with Japan, saying: "It has become clear that the import restrictions imposed by Japan and other countries have no scientific basis."

SCHIEFFER